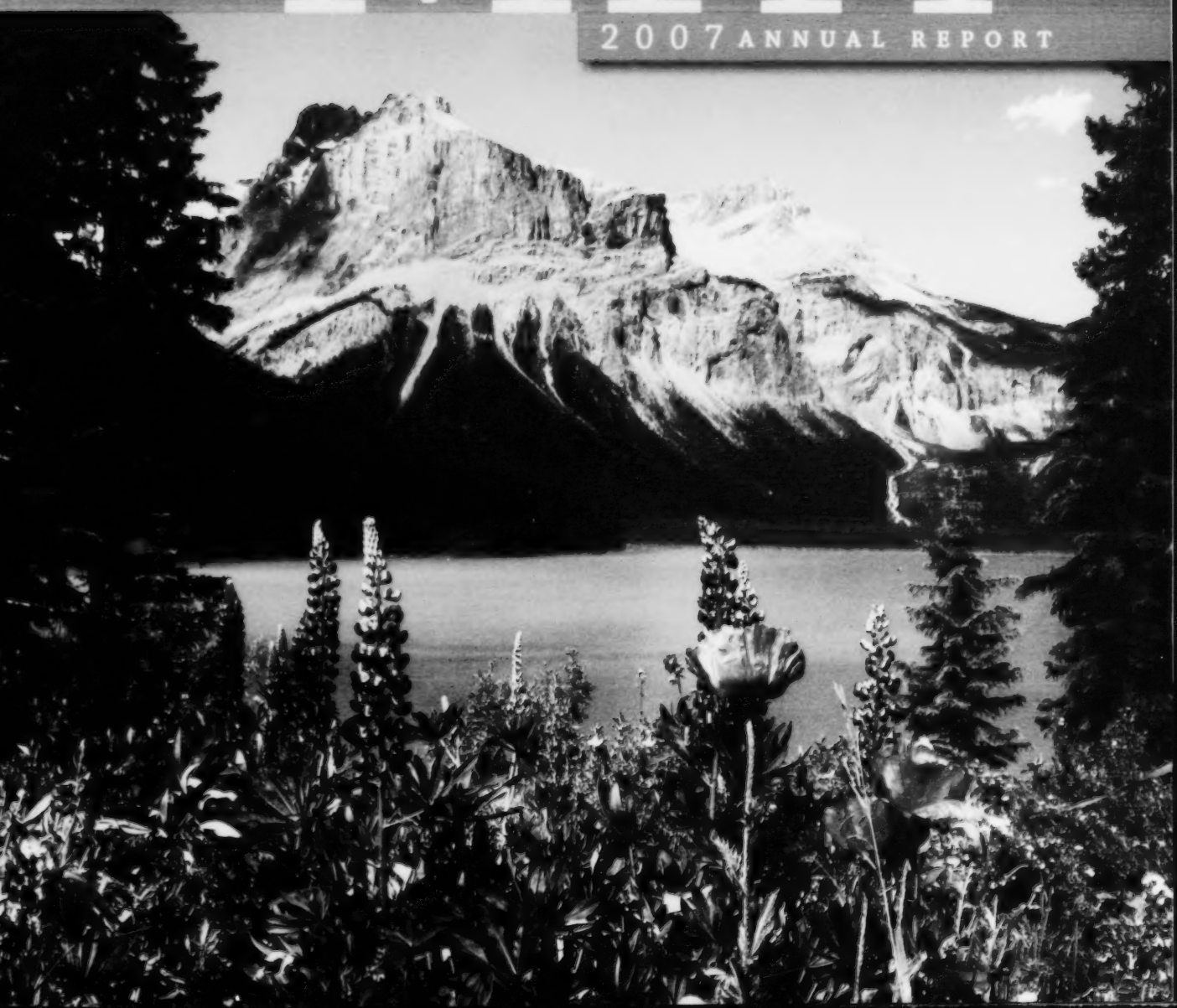
MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

MFA

2007 ANNUAL REPORT



2008-02498/

A proven track record of financial success

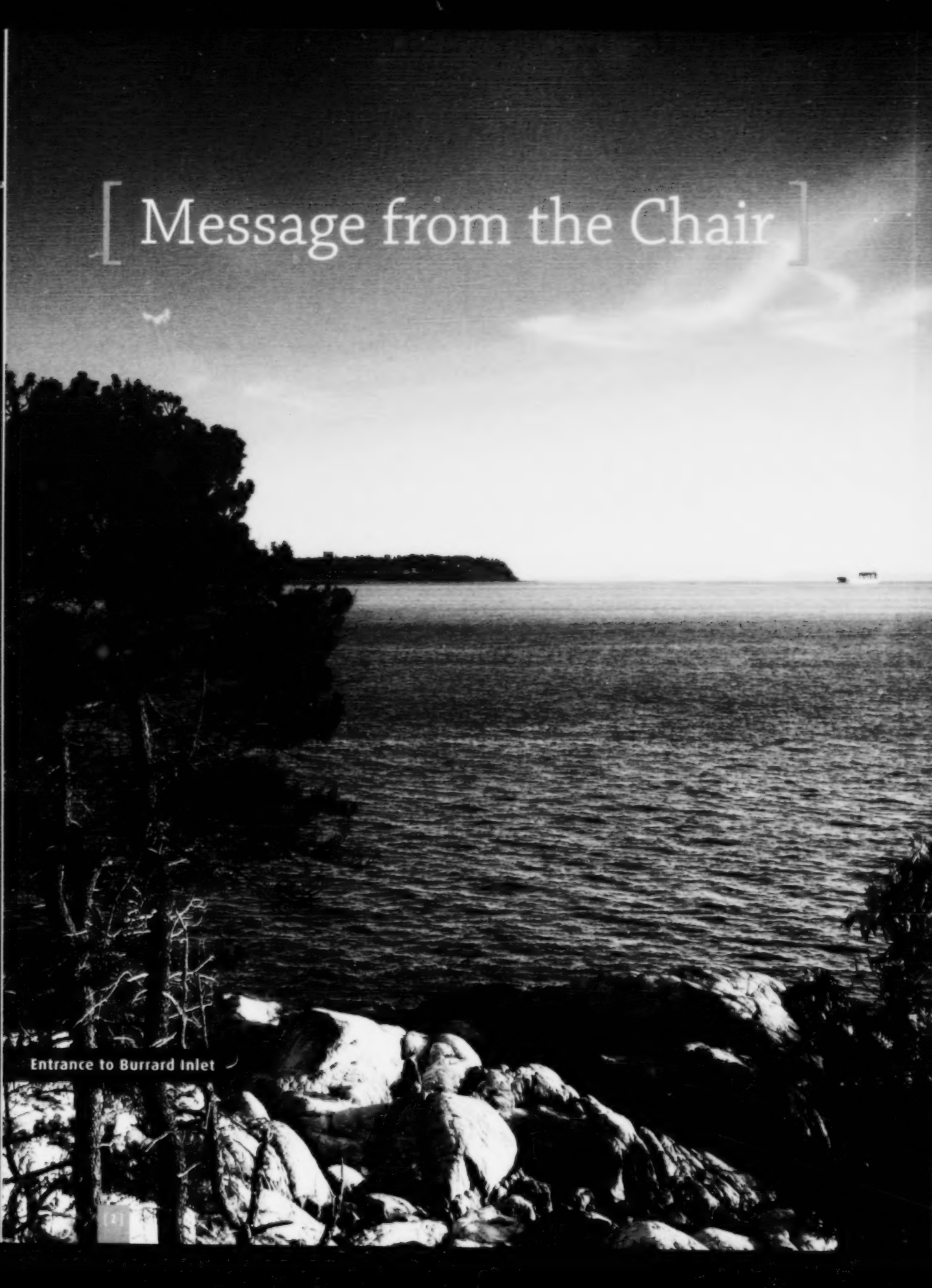
The success of the Municipal Finance Authority of British Columbia (MFA) is proven through its excellent credit rating. What does that mean to our clients, and to the people of British Columbia? It ensures that we are able to borrow money at interest rates lower than the chartered banks and pass these savings on to our local government clients. This enables local governments across the province to do more to serve their communities. The recognition for earning and maintaining our high credit rating rests squarely on the shoulders of a group of very dedicated people—local governments in BC, our Board of Trustees, and our staff.

mfa-bc

2007 ANNUAL REPORT

Message from the Chair 3
MFA Members 2007 7
Financial Summary 15
Financial Statements F1

[Message from the Chair]



Entrance to Burrard Inlet

Frank Leonard

DEBENTURE ISSUES

The Authority launched its largest ever borrowing in the Fall of 2007. It was comprised of two separate debt issues—a $500 million, 10-year Bullet Bond with an interest rate of 4.80% and a $310 million, 20-year Bullet Bond with an interest rate of 4.95%. Our cooperative approach once again benefited all BC's local governments because these interest rates were lower than those available to all other municipal borrowers in Canada. For example, a handful of AAA Ontario municipalities would issue at 5 to 10 basis points above the MFA rates. Combining BC's local governments' borrowing requests benefits all MFA clients, regardless of their size.

INVESTOR ROAD SHOWS

Your MFA initiated an Investor Roadshow to Montreal and Toronto last September. Syndicate members arranged various Montreal and Toronto meetings—some one-on-one and some in group formats. Potential investors were keen to learn of the Authority's high credit ratings and our liquid-size borrowing as well as the sound financial positions of our members. I am very pleased to report that significant purchases of our Fall debenture were made by investors whom we visited in both cities.

POOLED INVESTMENT FUNDS

More than 300 public institutions in BC used the Authority's Pooled Investment Funds for cash management purposes in 2007. This record number of users pushed the pooled funds under administration to an all-time high of $1.78 billion in August.

The 5 basis point management fee (.0005) earned by the MFA now represents approximately 40% of the MFA's Operating Revenues and allows the Board of Trustees to establish dividends, develop local government training courses at post-secondary institutions, and assist community leaders and their staff financially with training opportunities.

COMMERCIAL PAPER PROGRAM

The Authority is able to borrow short-term monies in Commercial Paper markets at interest rates below those available to Canadian chartered banks. By borrowing these short-term monies under the MFA's name, we are able to supply funding to the Interim Financing Program ($464 million outstanding) and the Leasing Program ($48 million) at "Bank Prime less 1.25% and 1.00%" respectively. During 2007, the Authority borrowed $2,286 million with terms of maturity from 30 to 365 days. The approximate interest savings to our clients from the use of the Commercial Paper Program alone was in excess of $500,000.

LEASING PROGRAM

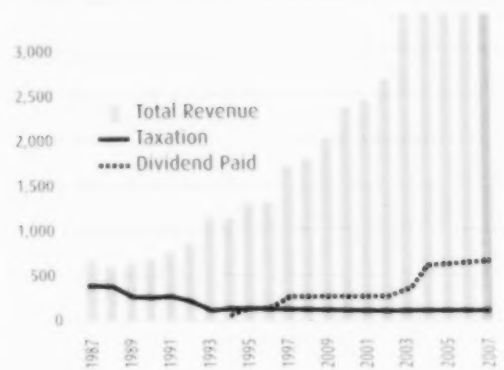
The Leasing Program was accessed by 131 public institutions at year end, with a portfolio of 629 leases and accumulated assets totaling almost $48 million. The program continues to be a competitive leasing option for our clients, which now include school districts.

LEN TRABOULAY EDUCATION FUND (LTEF)

Established in memory of former MFA Chair Len Traboulay, the Len Traboulay Education Fund Committee accepts applications for funding from BC's post-secondary institutions that plan to develop educational programs targeted at local governments.

The LTEF provides a development grant and monitors the course's completion and the attendees' satisfaction. This feedback is taken into account when the post-secondary institution submits for final payment of the application.

MFA Operating Revenues
Thousands $



Sinking Fund Yields – 2007
(Actuarial target = 4.00%)

Debt Fund	**4.76%**
Utilities	**5.37%**
TransLink	**4.78%**
Regional Hospital Districts	**5.61%**
Bondholder Protection:	
Debt Reserve Fund	**4.30%**

The Debt Reserve Fund is the first level of protection for bondholders against a failure to collect a debt service payment from an MFA client. These investments are purposely kept of short duration. In 37 years, the Debt Reserve Fund has never been used.

In 2007, LTEF Committee Chair, Christopher Causton, and committee members awarded approximately $66,000 in total grants to Northwest Community College, Capilano College, the Government Finance Officers Association of BC (GFOA "Bootcamp"), and the University of Victoria.

SINKING FUND SURPLUSES, STOPPED PAYMENTS, AND DIVIDENDS

Sinking Funds are the principal repayments made on the debt borrowings by our clients, and the MFA managed the investment of these repayments. When these investments' earnings exceed their budget, a surplus is generated and returned to our clients. In 2007, surpluses totaled $34.7 million.

A further $8.0 million in principal repayments from clients was "stopped" since they were not required on certain debenture loans because their Sinking Funds investment earnings were well in excess of budget requirements. In all, BC local governments spent $42.7 million less on debt servicing in 2007 than they had budgeted.

In addition, program dividends paid to BC's local governments for 2007 totaled $700,000. Since 1992, the Authority has returned to its clients $5.22 million from operating surpluses, and the MFA remains the only municipal borrowing entity in Canada that returns a dividend. These dividends are the operating revenues remaining after covering all the costs of operations.

Investment Pool Returns
As of December 31, 2007

Annual Rate of Return	One Year	Since Inception*
Bond Fund		
Municipal Finance Authority**	**3.15%**	**7.50%**
DEX Short-term Index**	**3.89%**	**7.25%**
Intermediate Fund		
Municipal Finance Authority**	**4.33%**	**4.80%**
DEX 365-day Treasury Bill Index**	**4.46%**	**4.58%**
Money Market Fund		
Municipal Finance Authority**	**4.46%**	**5.44%**
DEX blended 30/91-day T-Bill Index**	**4.28%**	**5.20%**

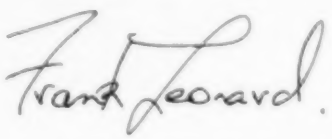
*Annual Rate of Return **After fees

ACKNOWLEDGEMENTS

Your MFA now manages a portfolio in excess of $5 billion with a small, dedicated, and professional staff. Local governments in BC reap the benefits of their work not only from dividends and surpluses, but also from the first-class reputation that is earned every day.

The administration of your MFA is entrusted to the Board of Trustees. Every one of them is fully committed to their fiduciary duties, and it has been an honour to work with them.

I can attest as your Chair that the Members of the Authority can be very proud of the Trustees and staff who are responsible for the successes that are described in this Annual Report.



FRANK LEONARD, CHAIR
MUNICIPAL FINANCE AUTHORITY
OF BRITISH COLUMBIA

How We Safeguard Investors

FINANCIAL PROTECTION

In BC, the combined credit of all the regional districts and their member municipalities, the utilities, TransLink, and the regional hospital districts—which together have essentially all the taxable land and improvements in the province—stands behind the MFA's obligations.

In addition, the MFA has established a debt reserve fund. Each client must contribute to this fund for securities issues in which they participate that have a term of five years or more. The contribution is equal to one-half the client's average annual principal and interest installment. This amount is payable to the MFA at the time of issue, either in full or in an amount equal to one percent of the principal amount borrowed. The balance is secured by a non-interest-bearing demand note that the regional district or regional hospital district issues to the MFA.

Monies paid into the debt reserve fund and interest that the fund earns are obligations of the MFA to its clients and must be refunded to them when they have made their final loan installments. However, if a municipality, utility, or TransLink has discharged its debt obligation to a regional district or regional hospital district by itself, the MFA may, during the term of the issue, repay to the regional district the one percent withholdings plus earnings thereon. This repayment will be for the credit of the municipality, utility, or TransLink. Monies due to the regional hospital districts are returned directly to them.

If, at any time, the MFA lacks sufficient funds to meet principal, interest, or sinking fund payments due on its obligations, it must utilize the debt reserve fund. All or any part of this fund is available to satisfy MFA obligations, regardless of the sources of the money in the fund. In the event that payments are made from the debt reserve fund, the MFA will recover such payments from the regional districts and regional hospital districts involved to restore the debt reserve fund. There has never been a default by an MFA client in the Authority's history.

If the Board of Trustees is of the opinion that payments made from the debt reserve fund will not be recovered within a reasonable period, it will levy upon all taxable land and improvements in the province a tax sufficient to restore the fund. It is mandatory for the Board of Trustees to levy such a tax when the balance in the debt reserve fund is less than 50 percent of what the balance would have been had no such payments been made. The defaulting client is not relieved of its unpaid balance owing and is obligated to reimburse the other MFA clients that covered the default.

The power that the Board of Trustees has to impose taxes does not require the permission or approval of any other governmental authority. Pending the receipt of such taxes, the Authority may borrow an equivalent amount to meet its obligations.

The provincial government has guaranteed that the debt reserve fund will be maintained in accordance with the *Municipal Finance Authority Act*. The Inspector of Municipalities may inspect the fund from time to time and issue a certificate that it has been maintained at the proper level.

Monies in the debt reserve fund may be invested in:

a) securities of the government of Canada or a province of Canada, or

b) securities fully guaranteed by the government of Canada or a province of Canada, or

c) deposits in or investments guaranteed by a Canadian chartered bank, or

d) deposits in or securities of a credit union incorporated under the *British Columbia Credit Union Act*.

These investments must mature or be callable within five years, and at least 25 percent of the fund must be callable within 90 days.

LEGISLATIVE PROTECTION

Clients who finance through the MFA must obtain the same provincial approvals that would be required if they

were issuing their own securities. In this way, all the safeguards imposed by the BC legislature on incurring clients' indebtedness are retained. These safeguards require that the Inspector of Municipalities or the Ministry of Health approve the debt and user charges, if any, and other taxes to service the debt. In addition, water and sewer projects are self-liquidating, meaning they are fully financed, without any cross-funding from the local government's general fund.

Limitations on the borrowing power of a client for each borrowing function (i.e., sewer, water, roads, etc.) may be specified in its letters patent. Municipalities in BC cannot borrow debt that will cause their annual debt service payments to exceed 25% percent of their revenues.

How We Serve Our Clients

The Municipal Finance Authority of British Columbia was established because it made economic sense for individual municipalities and regional districts to borrow together as a group and to guarantee each other's credit. By acting together, we are able to provide financing for the capital programs of local governments at low interest rates and also offer other innovative, flexible financial services.

POOLED INVESTMENT PROGRAM

Organization

In 1988, amendments to the *Municipal Finance Authority Act* authorized the MFA to provide short-term investment opportunities for regional districts and municipalities in BC. In 1992, the Act was further amended to extend the investment program to certain other public institutions in BC.

The amendments resulted in the establishment and operation of three pooled investment funds. Two funds commenced operations in May, 1989, and a third in 1994.

Participation

Public institutions participate in the Pooled Investment Program voluntarily.

Investment activities

The investment activities of the funds are governed by the *Municipal Finance Authority Act* and a charter of investment policies, objectives, and guidelines.

INTERIM FINANCING PROGRAM

Organization

The Interim Financing Program commenced operations in December, 1990, after amendments to the *Municipal Finance Authority Act* enabled the MFA to offer interim financing to regional districts and municipalities. In 1992, the Act was further amended to include certain other public institutions in BC.

Participation

Public institutions participate in the Interim Financing Program voluntarily.

Purposes for which interim financing may be provided

The Authority may provide financing for one or more of the following purposes:

a) temporary financing of capital projects
b) short-term capital borrowing for up to five years
c) borrowing in anticipation of tax revenue or to meet current operating expenditures

LEASING PROGRAM

Organization

In 1995, the Municipal Finance Authority started its Leasing Program. The Authority is authorized to finance short-term debt for capital expenditures, including leasing.

Purposes for which leasing may be provided

All commonly leased assets, from office equipment to rolling stock, are eligible under the program.

Participation

Participation in the program is voluntary. The program is now available to colleges and universities and may also soon be made available to other public bodies.

MANAGEMENT REPORT

The consolidated financial statements of the Municipal Finance Authority of British Columbia (the "Authority") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at January 25, 2008.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within the organization.

The financial statements have been examined by KPMG LLP, the Authority's independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Authority's financial position, results of operations, and cash flows in accordance with Canadian generally accepted accounting principles. Their Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Trustees, through the Finance and Audit Committee, monitors management's responsibility for financial reporting and internal controls. The Board or Committee meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Members of the Authority. The external auditors have full and open access to the Board, with and without the presence of management.

DIRECTOR OF FINANCE
Victoria, British Columbia, Canada

MUNICIPAL FINANCE AUTHORITY
FINANCIAL STATEMENTS

Auditors' Report

TO THE MEMBERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

We have audited the consolidated balance sheets of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 2007 and 2006, and the consolidated statements of revenue, expenditure and net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2007 and 2006, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
January 25, 2008

MUNICIPAL FINANCE AUTHORITY
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

THOUSANDS OF DOLLARS

		2007	2006
ASSETS			
Loans to clients (Note 3) (Schedule)	$	4,058,809	3,464,840
Short-term loans to clients (Note 4)		168,980	109,169
Investments, net of holdings of the Authority (Notes 5 and 6)		1,327,491	1,294,111
Investments under management (Note 7)		–	60,567
Accrued interest and other receivables		114,553	109,771
Derivative financial instruments (Note 15 (b))		7,103	12,040
Cash and cash equivalents		9,547	15,297
Capital assets (Note 8)		730	755
Total Assets	$	5,687,213	5,066,550
LIABILITIES			
Long-term debt (Note 9) (Schedule)	$	4,889,753	4,427,449
Bank and short-term indebtedness (Note 10)		511,517	260,189
Due to clients (Note 11)		98,405	98,438
Due to clients - investments under management (Note 7)		–	60,567
Accounts payable and accrued interest payable (Note 12)		57,954	59,545
Total Liabilities		5,557,629	4,906,188
Equity in capital assets		730	755
Net assets (Note 1b)		128,854	159,607
Total Liabilities, Equity and Net Assets	$	5,687,213	5,066,550

See Accompanying Notes to Financial Statements

DIRECTOR OF FINANCE

MUNICIPAL FINANCE AUTHORITY
CONSOLIDATED STATEMENTS OF REVENUE, EXPENDITURE AND NET ASSETS

YEARS ENDING DECEMBER 31, 2007 AND 2006

THOUSANDS OF DOLLARS

		2007	2006
REVENUE			
Interest from loans to clients	$	**284,738**	271,051
Investment income		**67,097**	65,326
Management fees		**1,488**	1,306
Recoveries from new issues		**429**	429
Operating levy		**197**	161
Total Revenue		**353,949**	338,273
EXPENDITURE			
Interest on long-term debt		**239,166**	233,118
Interest on bank and short-term indebtedness		**19,827**	12,606
Amortization of issue costs and other		**13,217**	10,642
Administration		**2,825**	1,913
Accrual of investment income due to clients		**2,680**	6,912
Debt management and marketing		**264**	197
Total Expenditure		**277,979**	265,388
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR		**75,970**	72,885
Net assets, beginning of the year		**159,607**	173,001
Effect of adoption of new accounting policies (Note 2)		**15,174**	–
Net Assets, beginning of the year—restated		**174,781**	173,001
Allocations to clients (Note 13)		**(120,318)**	(85,704)
Application to equity in capital assets		**25**	25
Unrealized losses from change in fair value of available for sale securities		**(904)**	–
Dividends paid		**(700)**	(600)
Net Assets, end of year	$	**128,854**	159,607

See Accompanying Notes to Financial Statements

MUNICIPAL FINANCE AUTHORITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2007 AND 2006

THOUSANDS OF DOLLARS

		2007	2006
OPERATING ACTIVITIES			
Excess of revenue over expenditure for the year	$	75,970	72,885
Non-cash items:			
Loss on disposals of investments		(876)	(1,678)
Accretion of discounts on investments		(23,719)	(23,827)
Amortization of issue costs and other		13,217	10,642
Accrual of investment income due to clients		2,680	6,911
Amortization on building		25	25
Changes in accrued interest and other receivables		(4,781)	(18,454)
Changes in accounts payable and accrued interest payable		(1,594)	19,255
Net cash provided by operating activities		60,922	65,759
INVESTING ACTIVITIES			
Investments sold or matured		2,374,484	748,906
Investments purchased		(2,305,156)	(904,485)
Net cash provided by (applied to) investing activities		69,328	(155,579)
FINANCING ACTIVITIES			
New debt issued		909,605	715,175
Debt retired		(435,506)	(297,260)
Loan repayments from clients		1,234,457	445,661
New loans to clients		(1,907,235)	(612,985)
Bank indebtedness and commercial paper issued		7,272,965	3,054,260
Bank indebtedness and commercial paper repaid		(7,021,637)	(3,063,457)
Issue costs and other		(4,351)	(7,972)
Contribution from clients for new loans		11,429	6,168
Contributions and earnings thereon refunded to clients		(12,072)	(3,572)
Payments of surplus to clients (Note 13)		(120,318)	(85,704)
Payments of sewer and water grant to clients		(2,070)	(5,146)
Payments of investments under management to clients		(60,567)	(50,300)
Dividends paid		(700)	(600)
Net cash provided by (applied to) financing activities		(136,000)	94,268
Increase (decrease) in cash and cash equivalents		(5,750)	4,448
Cash and cash equivalents, beginning of the year		15,297	10,849
Cash and cash equivalents, end of the year	$	9,547	15,297

Supplementary cash flow information (Note 14)

See Accompanying Notes to Financial Statements

MUNICIPAL FINANCE AUTHORITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2007 AND 2006

1. Significant accounting policies

a. Basis of presentation

The Municipal Finance Authority of British Columbia (the "Authority"), operates under the *Municipal Finance Authority Act* (the "Act") as a central borrowing agency for the financing of capital requirements of regional districts and their member municipalities, regional hospital districts and special purpose other municipal bodies (collectively the "clients"). The Authority issues its own securities and lends the proceeds to its clients at whose request the financing is undertaken. Obligations of the Authority are not obligations of the Province of British Columbia and are not guaranteed, directly or indirectly, by the Province.

The Authority may annually impose rates not exceeding prescribed amounts on all taxable land and improvements in the province to meet the annual operating budget. Additional rates will be levied if the Board of Trustees is of the opinion that debt payments may not be recovered within a reasonable time under the loan agreements with its clients.

The accompanying financial statements reflect the financing and general operation of the Authority. The Authority also oversees the maintenance of pooled investment funds which are reported separately by the Authority.

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles. The Authority maintains its accounts according to the principles of fund accounting by which financial resources are segregated for specific activities or to attain certain objectives. The primary activity of the Authority is the provision of financial services to its clients which are recorded in the Debt Fund. In addition the Act provides for an Operating Fund and a Debt Reserve Fund which are also included in the financial statements.

DEBT FUND

The Authority's financing activities on behalf of its clients are recorded within the Debt Fund. As well, the Debt Fund is a repository for repayments from the clients under their loan agreements in advance of the Authority's requirements on its related indebtedness.

The Debt Fund also includes a short-term financing program to provide financing to local governments under section 9.1 of the *Municipal Finance Authority Act*. The Act was amended in 1992 to extend financing to other public institutions (as defined) in the Province of British Columbia.

The fund provides a revolving credit facility for its clients under two programs:

i) Interim Financing Program—for tax revenue anticipation, interim funding requirements and temporary financing of capital projects.

ii) Leasing Program—for funding the short-term leasing of capital assets.

OPERATING FUND

The Act provides for the establishment of an Operating Fund to meet the annual operating budget. In addition to administering the financing activities, the Operating Fund receives management fees from the Pooled Investment Funds and the short-term financing program and pays the cost of their operations (see note 16).

DEBT RESERVE FUND

Under the Act, the Authority must establish a Debt Reserve Fund. Each client sharing in the proceeds of a securities issue is required to pay into the Debt Reserve Fund an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing together with one-half the average annual installment of principal and interest as set out in the agreements entered into with the regional districts through their borrowings; such amount is payable either in full or in an amount

equal to 1% of the principal amount borrowed with the balance secured by a non-interest-bearing demand note.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund (see note 6).

b. Net assets

The net assets balance represents undistributed earnings on investments in excess of budgeted actuarial earnings and is due to clients once the debt is retired. The amount of net assets re-allocated to clients is disclosed in the Statements of Revenue, Expenditure and Net Assets (see note 13).

The Authority may appropriate operating fund net assets for future expenditures.

c. Revenue recognition

The annual operating levy is recognized as revenue in the Operating Fund when the rates have been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the province and the Provincial Surveyor of Taxes and is payable to the Authority on August 1 each year.

d. Amortization of issue costs

Issue costs consisting of discounts and premiums are amortized on an effective yield basis over the lives of the securities to which they relate and are presented as an offset to long-term debt payable.

Transaction costs on issuance of long-term debt are recognized in the Statements of Revenue, Expenditure and Net Assets as incurred.

e. Investments

The investment purchasing and trading policy of the Authority is to match the maturity of its investment with the applicable obligation dates of its debt.

Effective January 1, 2007, all investments held are classified as available for sale and stated at fair value.

In determining fair value, adjustments have not been made for transaction costs because they are not considered significant. Any unrealized change in fair value is reflected in net assets and subsequently transferred to the Statement of Revenue, Expenditure and Net Assets when realized.

Fair values of investments are determined at quoted market prices where available. Where quoted market prices are not available, estimated fair values are calculated using comparable securities.

f. Capital assets

Capital assets are stated at cost. Amortization of the building is provided on a straight-line basis over 40 years.

g. Financial instruments

The Authority periodically enters into certain financial contracts that may be considered hedging transactions. These transactions include forward interest rate contracts on behalf of clients and certain derivative investments where established cash flow streams are exchanged for a future cash payment upon contract maturity. The Authority does not conduct speculative derivative trading or contracting for trading gain.

At the request of individual clients and only after all required political authorizations and borrowing documentation are in place, the Authority will negotiate with a financial institution to enter into a contract to fix the interest rate on a client's borrowing request at a specified future date. These actions by the Authority's clients are in consideration of either a re-financing risk regarding exposure to future interest rate fluctuations or a desire for budgetary certainty. Since the Authority does its debenture borrowing in the spring and fall, some clients' requests may occur outside of these dates causing them to have potential interest rate exposure if not hedged. The Authority cash settles the forward contract

with the financial institution thereby completing the contract. At this point, the future payment obligations become those of the client.

As part of the sinking fund investment practices, the MFA may purchase derivative or cash flow annuity contracts with institutions whereby the MFA sells a cash flow stream of principal collections from a client or group of clients to an institution for a future lump sum principal amount. The MFA will enter into these contracts to achieve fixed yields to meet actuarial requirements or to aggregate cash flows which could not be invested effectively by themselves due to the small amounts involved on individual transactions. Fair values of these instruments are determined using market prices for the underlying derivative instrument.

When derivative contracts are established, the Authority determines for each contract whether hedge accounting can be applied. Derivatives that qualify for hedge accounting are accounted for on an accrual basis. The Authority explicitly demonstrates that hedges are effective in order to continue accrual accounting. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge or the derivative is terminated or sold.

During the periods presented, no derivative contracts were accounted for under hedge accounting.

h. Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of the financial statements include the assumption of an expected earnings rate on sinking funds (5% up to and including Issue 88 and 4% on issues thereafter) which makes up a portion of the asset "Loans to clients" (see note 3).

i. Future accounting changes

On January 1, 2008, the Authority will implement CICA 3862, Financial Instruments—Disclosure, and HB 3863, Financial Instruments—Presentation. Both standards were issued in December 2006 and revise the current standards on financial instrument disclosure and presentation. An increased emphasis is placed on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. CICA 3863 establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance with classification of financial instruments, from the perspective of the issuer, between liabilities and equity.

The adoption of these standards is not anticipated to have a significant impact on the Authority.

j. Comparative figures

Certain 2006 comparative figures have been reclassified to conform to the financial statement presentation for the current year.

2. Change in accounting policy

Effective January 1, 2007, the Authority adopted CICA Handbook sections 3855 (Financial Instruments—Recognition and Measurement), 3861 (Financial Instruments—Disclosure and Presentation) and 3865 (Hedges). The Authority has designated all its investments as available for sale and carried them at fair value with unrealized changes in fair value adjusted to the net assets account until realized.

The impact of adopting the new accounting standards was an increase of $18,100,000 in opening net assets related to revaluation of available for sale securities at fair value. A decrease in net assets of $2,926,000 has been recorded related to the write-off of transaction costs

previously capitalized and a change in the amortization method of issue costs (discounts and premiums) from straight-line to an effective yield basis. Prior periods were not restated.

All loans to clients, long term debt, bank and short-term indebtedness, and accounts receivable and payable are classified as loans and receivables or other liabilities and are recorded at amortized cost using the effective interest rate method.

3. Loans to clients

Under the Act, each client sharing in the proceeds of a securities issue must pay over to the Authority such sums as are required to discharge its obligations to the Authority in respect to such securities issue. If the scheduled payments provided for under the loan agreement are not sufficient to meet the Authority's obligations in respect of that securities issue, the deficiency is a liability of the client to the Authority.

The aggregate principal payments recoverable from the clients in each of the next five years (excluding principal payments suspended as outlined below) are as follows:

THOUSANDS OF DOLLARS	
2008	$ 227,849
2009	216,238
2010	216,330
2011	201,012
2012	191,667

When the Authority, under Section 12 of the Act and with the approval of the Inspector of Municipalities, has determined that the amount of the assets in the sinking fund together with the anticipated earnings for that fund is greater than the amount which will be required to repay the debt or discharge the obligation and has declared that there is an anticipated surplus in the fund of a specified amount, the scheduled future payments of both principal and interest from the clients under the related loan agreements are suspended.

4. Short-term loans to clients

Short-term loans receivable represents loans for the following purposes:

THOUSANDS OF DOLLARS		
Tax revenue anticipation	$ 380	120
Temporary financing of capital projects	118,638	58,198
Short-term capital borrowing	2,329	2,834
Short-term leases of capital equipment	47,633	48,017
Total short-term loans	$ 168,980	109,169

Short-term leases of capital equipment bear interest at a rate of prime minus 1% while all other short-term loans are charged interest based on the daily 30-day Canadian Dollar Offered Rate (CDOR) plus 0.375%. Short-term leases on capital equipment carry a maximum term of five years while other short-term loans can range in length from nine months to a maximum of five years.

5. Investments, net of holdings of the Authority

Investments consist of the following securities:

THOUSANDS OF DOLLARS	PAR VALUE	BOOK VALUE	BOOK VALUE
Government of Canada	$ 47,929	38,082	46,614
Provincial Governments	574,145	448,201	494,647
Chartered Banks	694,475	685,664	627,255
Credit Unions in the Province of BC	155,247	155,247	125,300
Regional and Municipal Governments	295	297	295
Total investments	$ 1,472,091	1,327,491	1,294,111

Investments in Government of Canada, Provincial Governments, and Chartered Banks may be direct or guaranteed.

The Authority may invest monies in its own securities maturing not later than the securities for which the sinking fund account was created. At December 31 the Authority held an additional $5,786,000 (2006 – $6,136,000) in investments of the Authority's own debentures purchased from the market. These investments in Municipal Finance Authority of British Columbia debentures have been offset against the related debt in the consolidated financial statements.

6. Debt Reserve Fund

Included in Investments, net of holdings of the Authority, are investments of the Debt Reserve Fund.

THOUSANDS OF DOLLARS		PAR VALUE	BOOK VALUE	BOOK VALUE
			2007	2006
Government of Canada	$	**36,202**	**26,386**	11,567
Provincial Governments		**7,974**	**6,908**	263
Chartered Banks		**51,583**	**50,074**	73,708
Credit Unions in the Province of BC		**10,000**	**10,000**	—
Total investments – Debt Reserve Fund	$	**105,759**	**93,368**	85,538

The Debt Reserve Fund holds assets as security for debenture payments to bondholders. If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions must be made from the Debt Reserve Fund. The balance held in the Debt Reserve Fund is as follows:

THOUSANDS OF DOLLARS		BOOK VALUE	BOOK VALUE
		2007	2006
Cash	$	**421**	6,458
Accrued interest receivable		**717**	473
Investments		**93,368**	85,538
Total balance—Debt Reserve Fund	$	**94,506**	92,469

Also integral to the fund but not presented on the balance sheet are Demand Notes receivable from clients of $207,250,087 (2006 – $194,251,211) which are entered into upon the Authority lending debenture proceeds to its clients and are callable on demand to meet Authority obligations. Once clients have made the final payment under their respective loan agreements, the Demand Notes will be extinguished. For financial statement presentation these Demand Notes receivable have been classified as an offset to due to clients because of their contingent nature. None of these notes has ever been called in the history of the Authority.

If the Board of Trustees of the Authority is of the opinion that the payments made from the Debt Reserve Fund may not be recovered under the terms of the loan agreements within a reasonable time, the Board may levy or impose upon substantially all taxable land and improvements in the Province of BC rates sufficient to maintain the Debt Reserve Fund at a level not exceeding the amount which would have been in the fund had no such payments been made. Further, the Board of Trustees must impose such rates when the balance in the fund is less than 50 percent of the amount that would have been in the fund had no such payments been made.

During the year the debt reserve fund recognized total revenue of $2,830,459 (2006 – $4,111,692) and incurred total expenditures of $150,780 (2006 – $121,474). Included in net assets is a mark to market valuation write down of $1,319,129 on the investments held in the fund. In 2006, the fund recognized an increase in mark to market valuation of $212,067 on its investment

held. The Authority's practice is to hold investments until maturity to minimize the impact of fluctuations in market pricing on investment values. The excess of revenue over expenditures in the fund was $2,679,679 (2006 – $3,990,217) and is allocated as an accrual of investment income due to clients.

7. Investments under management

In 2003, the Greater Vancouver Water District borrowed $200 million and entered into an agreement whereby the Authority would manage a portion of the cash proceeds from that borrowing as investments under management. As the investments matured, the Authority would disburse the principal and interest earned to the Greater Vancouver Water District. In September 2007, the last investment matured and as of December 31, 2007, the book value of assets held was NIL (2006 – $60,567).

8. Capital assets

Capital assets represent the net book value of the land and building out of which the Authority operates. The land and building, purchased at an original cost of $998,000, is reflected net of accumulated amortization of the building of $268,121 (2006 – $242,481).

9. Long-term debt

The aggregate long-term debt maturities in each of the next five years are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder).

THOUSANDS OF DOLLARS		
2008	$	**414,693**
2009		**772,130**
2010		**207,704**
2011		**547,075**
2012		**446,754**

Since the clients' bylaw terms (up to 30 years) do not always coincide with the Authority's debenture term (usually 10 years), many clients' borrowing requests are expected to be refinanced. Scheduled refinancing over the next five years and the current average interest rates on the refinanced amounts, are as follows:

THOUSANDS OF DOLLARS		REFINANCING	EXISTING INTEREST RATE
2008	$	**203,000**	5.40%
2009		**378,000**	6.13
2010		**37,000**	4.93
2011		**280,000**	5.90
2012		**172,000**	5.24

10. Bank and short-term indebtedness

The Authority has an agreement under which a chartered bank provides a revolving credit facility of up to $300,000,000 subject to repayment within 30 days following demand by the bank. As at year end, the interest rate on the line of credit was 4.81% (2006 – 4.54%).

The Authority operates a commercial paper facility which allows for the issuance of short-term notes in the name of the Authority of up to 365 days in duration and requires a fully backed standby line of credit from one or more chartered banks. As at year end, the interest rate on commercial paper issued ranged from 4.02% to 4.58% (2006 – 4.15% to 4.26%).

The Authority's clients may choose loan terms from five to 30 years. Since most debenture debt issued to finance these loans mature in 10 years, the debt issues must be refinanced. The decision to issue new debt or use the Authority's short-term financing program is made by taking into account economic and market conditions as well as sinking fund positions. Included in bank and short-term indebtedness at year end are issues refinanced through the short-term financing program, including accrued interest of $122,307,488 (2006 – $150,237,730).

11. Due to clients

Included in amounts due to clients is $94,505,847 (2006 – $92,469,157) which will be repaid to clients when they have made the final payment under their respective loan agreements. However, where a municipality has discharged its obligation to a regional district with respect to a securities issue, the Authority may repay to the regional district for the credit of the municipality a portion of the money that is an obligation to the regional district and the money so paid shall be applied to reduce that obligation.

Included in the amounts due to clients are sewer and water facilities assistance grant monies payable to regional districts and municipalities. Prior to March 2002, certain regional districts and municipalities with sewer and/or water facility loans outstanding would receive semi-annual grant funding from the Province of British Columbia to offset a portion of annual debt servicing costs incurred. Between March 2002 and September 2004, the Authority received lump sum payments totaling $42,186,418 from the Province for application towards these loans outstanding. The Authority is responsible for distributing these payments to clients on a semi-annual basis as related principal and interest payments are received from clients.

The Authority has estimated that distributions of these funds out to the expiry dates of the applicable sewer and/or water loans total $2,682,908 (2006 – $6,904,903). The estimated payments over the next five years are as follows:

THOUSANDS OF DOLLARS		
2008	$	**1,138**
2009		**716**
2010		**345**
2011		**345**
2012		**62**
Thereafter		**77**
Total—Due to clients	$	**2,683**

As at year end the Authority has recognized a liability with a present value of $2,475,692 (2006 – $5,944,217) and has invested the corresponding funds in securities to mature at the required value of $2,682,908 (2006 – $6,904,903).

12. Accounts payable and accrued interest payable

Accounts payable and accrued interest payable includes the difference between the unscheduled early payout (present valued) by various clients and the book value of their liabilities to the Authority. These early payments by clients are based on the cost to the Authority of purchasing investments that will exactly match the principal and interest payments the client would have otherwise made (based on the present value of the yield curve at the time of the early payment).

13. Allocations to clients

This amount is the total of surpluses earned (excess earnings) by the investments relating to specific debenture issues that have matured and were distributed back to the clients for which the financing was undertaken. Accruals of investment income due to clients and allocation of net earnings to clients that applies to the Debt Reserve Fund are shown separately. During the year, the following surplus was allocated:

THOUSANDS OF DOLLARS			
		2007	2006
Cash surplus repayments	$	**34,749**	13,087
Future invoice payments forgiven		**13,312**	10,044
Actuarial earnings recognized		**72,257**	62,573
Total—Allocations to clients	$	**120,318**	85,704

Included in the 2007 Actuarial earnings recognized is $27,677,535 (2006 – $28,478,867) of accrued earnings calculated from the last principal payment dates to December 31, 2007.

14. Supplementary cash flow information

During the year, the Authority received the following cash payments:

THOUSANDS OF DOLLARS			
		2007	2006
Interest from clients —long-term debt	$	**277,332**	267,067
Interest from clients —short-term debt		**9,564**	6,999
Interest from investments		**37,903**	25,973

During the year the Authority made the following cash payments:

THOUSANDS OF DOLLARS			
		2007	2006
Interest on long-term debt	$	**239,935**	231,407
Interest on short-term indebtedness		**19,827**	12,731

The amounts shown on the Statements of Revenue, Expenditure and Net Assets are recorded on an accrual basis and may differ from the information presented above on a cash basis.

15. Financial instruments

a. Interest rate risk

Upon maturity of certain debt issues, the Authority may refinance any remaining loans receivable balances associated with those debt issues through the Authority's short-term financing program. At year end, the Authority had $122,307,488 (2006 – $150,237,730) of these loans outstanding subject to floating interest rates. As at December 31, 2007, this floating rate was 4.860% (2006 – 4.590%) while the related re-lending rate of these funds to its clients ranged from 4.500% to 7.250% (2006 – 4.430% to 7.250%). During the year, interest in the amount of $8,071,144 (2006 – $7,196,526) was paid to the short-term financing program on these loans.

The Authority sets re-lending rates on its loans to Clients to ensure that the cash flow requirements on debenture debt are covered. A re-financing interest rate risk exists for those Clients with loan terms that extend beyond the maturity of the associated debenture. At the time of re-financing, the MFA will reset the re-lending rate on remaining Client loans in relation to the new re-issuance of debt.

b. Derivatives

The Authority has entered into certain financial agreements to hedge investment yields with third party financial institutions whereby the Authority will make periodic principal payments in exchange for certain future cash receipts. At year end, the future value of these contracts due to the Authority is $302,865,232 (2006 – $311,542,030) while related principal payments by the Authority towards those agreements are $169,907,919 (2006 – $151,219,255).

As at December 31, 2007, the Authority has recorded $7,103,832 (2006 – $12,039,990) as a deferred financial instrument and a related liability in accounts payable and accrued interest payable which represents the fair value of derivative instruments for which hedge accounting was discontinued. The fair value of these instruments is deferred on initial recognition to be amortized beginning on the forward start date of the swap to which they relate. The change in fair value of all derivative instruments from the recognition date to December 31, 2007 of $9,131,347 has been recorded in the Statements of Revenue, Expenditure and Net Assets.

c. Fair value

The carrying values of other receivables, demand notes receivable, accounts payable, and bank and short-term indebtedness approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair market values of other financial assets and

liabilities included in the Consolidated Balance Sheets at carrying amount are as follows:

THOUSANDS OF DOLLARS		CARRYING AMOUNT	FAIR MARKET VALUE	CARRYING AMOUNT	FAIR MARKET VALUE
			2007		2006
Loans to clients	$	4,058,809	4,102,154	3,464,840	3,548,847
Short-term loans to clients		168,980	168,980	109,169	109,169
Long-term debt		4,889,753	5,055,962	4,427,499	4,628,884

Fair values were estimated as follows:

- Loans to clients—values estimated using prices equivalent to the related long-term debt for each issuance.
- Short-term loans to clients—values based on effective yield basis that approximates cost.
- Long-term debt—prices based on yield to maturity on first call date using appropriate spreads over Canada Bonds as a benchmark.

16. Operating Fund

Included in the consolidated position of the Authority are the following assets and liabilities of the operating fund:

THOUSANDS OF DOLLARS		BOOK VALUE	BOOK VALUE
		2007	2006
Cash	$	5,109	3,758
Accrued interest and other receivables		480	383
Capital assets		730	755
Total assets	$	6,319	4,896

THOUSANDS OF DOLLARS		BOOK VALUE	BOOK VALUE
		2007	2006
Accounts payable	$	1,099	425
Equity in capital assets		730	755
Net assets		4,490	3,716
Total liabilities and net assets	$	6,319	4,896

During the year the Operating Fund recognized total revenue of $3,949,420 (2006 – $3,465,908) and incurred total expenditures of $2,501,014 (2006 – $1,854,549). The Operating Fund also declared program participation dividends payable to its clients in the amount of $700,000 (2006 – $600,000). Included in other net assets is $1,829,000 that has been appropriated for future expenditures.

MUNICIPAL FINANCE AUTHORITY
SCHEDULE OF LONG-TERM DEBT

DECEMBER 31, 2007 AND 2006

THOUSANDS OF DOLLARS

ISSUE / SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:				
55CP	1993	May 12, 2013	8.750	50,000
63XX	2005	December 1, 2010	4.000	121,000
65CT	1997	April 24, 2007	6.750	125,000
66CU	1997	November 5, 2007	5.625	60,000
68	1998	March 24, 2007	5.500	86,642
68CV	1998	March 24, 2008	5.500	336,000
70CW	1999/2000	June 1, 2009	5.250	646,000
74CX	2001	June 1, 2011	5.900	491,800
77	2002	June 1, 2007	5.625	35,000
78CZ	2002/2003	December 3, 2012	5.250	340,000
80	2003	October 3, 2007 - 2012	3.750 - 4.850	130,700
80DA	2003	December 3, 2013	4.900	288,300
81DB	2004	April 22, 2007 - 2013	3.300 - 4.950	40,000
85DC	2004	December 2, 2014	4.900	180,000
86DD	2004	December 2, 2024	5.350	50,000
87	2007	April 30, 2008	3.550	19,000
88	2004	October 1, 2009	4.710	200
91	2005	March 16, 2010	3.250	220
92DF	2005	April 6, 2007 - April 6, 2015	3.400 - 4.700	63,400
93DG	2005	April 6, 2025	4.978	118,300
95DH	2005	October 13, 2015	4.150	167,000
96DI	2005	April 2, 2026	4.600	50,000
97DL	2006	April 19, 2016	4.650	715,000
98	2006	May 15, 2011	4.000	175
802	2002	February 16, 2007	4.630	60
101DM	2007	December 1, 2017	4.800	500,000
102DN	2007	December 1, 2027	4.950	310,000
			Carried Forward	4,923,797

2007 LONG-TERM OUTSTANDING	2006 LONG-TERM OUTSTANDING	REFERENCES
50,000	50,000	(1)
121,000	121,000	(1)
-	125,000	(1)
-	60,000	(1)
-	12,926	(1)
336,000	336,000	(1)
646,000	646,000	(1)
491,800	491,800	(1)
-	7,000	(1)
340,000	340,000	(1)
84,100	101,400	(1)
288,300	288,300	(1)
25,300	30,200	(1)
180,000	180,000	(1)
50,000	50,000	(1)
19,000	19,596	(1) (2)
200	200	(3)
220	220	(1)
55,200	59,300	(1)
109,054	112,889	(1)
167,000	167,000	(1)
50,000	50,000	(1)
715,000	715,000	(1)
175	175	(3)
-	60	(3)
500,000	-	(1)
310,000	-	(1)
4,538,349	3,964,066	

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MUNICIPAL FINANCE AUTHORITY
SCHEDULE OF LONG-TERM DEBT CONTINUED

DECEMBER 31, 2007 AND 2006

THOUSANDS OF DOLLARS

ISSUE / SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:			Brought Forward	$ 4,923,797
507 to 628	1999	March 10, 2008 - November 30, 2023	6.0000 - 11.330	297,929
703 to 713	1999	July 10, 2009 - July 21, 2010	5.7410 - 9.610	418,830
903	1996	January 9, 2012	9.500	33,000
912	1996	January 9, 2012	9.500	24,000
			Payable in Canadian Dollars	5,697,556
PAYABLE IN CANADIAN DOLLARS—ISSUED THROUGH FEDERATION OF CANADIAN MUNICIPALITIES:				
1	2003	March 14, 2010	3.490	1,455
2	2003	March 31, 2013	3.710	2,100
3	2004	June 11, 2014	3.182	20,000
4	2005	June 6, 2015	2.900	11,310
			Payable in Canadian Dollars	34,865
Total Long-term Debt				$ 5,732,421
Less: Amounts held as investments by the Authority:				
Amounts issued as commercial paper by the Authority:				
Unamortized issue costs:				
Net debt due to bondholders				

2007 LONG-TERM OUTSTANDING	2006 LONG-TERM OUTSTANDING	REFERENCES
4,538,349	3,964,066	
170,969	195,735	(1) (4)
118,059	193,059	(1) (5)
33,000	33,000	(1) (6)
24,000	24,000	(1) (6)
4,884,377	4,409,860	
623	832	(1) (7)
1,260	1,470	(1) (7)
20,000	20,000	(1) (7)
11,310	11,310	(1) (7)
33,193	33,612	
4,917,570	4,443,472	
5,786	6,136	
19,000	—	
3,031	9,887	
4,889,753	4,427,449	

MUNICIPAL FINANCE AUTHORITY
REFERENCES TO SCHEDULE OF LONG-TERM DEBT

DECEMBER 31, 2007 and 2006

1 Non-callable prior to maturity.

2 Debt issued internally through the Authority's commercial paper program.

3 Five-year Community Bond.

4 Debt issues relating to the Regional Hospital Districts transferred from Province of British Columbia to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 52 debenture issues averaging $3.287 million each. Individual issue detail is not shown.

5 Debt issues relating to TransLink transferred from Province of British Columbia to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of three debenture issues averaging $39.353 million each. Individual issue detail is not shown.

6 Debenture issues transferred from Province of British Columbia to MFA on April 1, 1996. The debt outstanding remains in the name of the Province.

7 Debentures issued through the Federation of Canadian Municipalities and administered by the MFA.

MUNICIPAL FINANCE AUTHORITY
SCHEDULE OF LOANS TO CLIENTS

UNAUDITED — OUTSTANDING AT DECEMBER 31, 2007

THOUSANDS OF DOLLARS (EXCEPT PER CAPITA)

		2007					
	PRINCIPAL OUTSTANDING DEC. 31, 2006	NEW LOANS ISSUED	PRINCIPAL REPAID	**PRINCIPAL OUTSTANDING DEC. 31, 2007**	PER CAPITA	FUTURE PRINCIPAL TO BE COLLECTED (Note)	FUTURE PRINCIPAL PER CAPITA
REGIONAL DISTRICTS							
Alberni-Clayoquot	$ 24,064	—	1,415	**22,649**	739	$ 12,565	410
Bulkley-Nechako	8,931	—	754	**8,177**	214	4,971	130
Capital	296,828	34,992	31,050	**300,770**	871	183,995	533
Cariboo	37,188	3,000	3,392	**36,796**	592	20,949	337
Central Coast	310	—	13	**297**	93	127	40
Central Kootenay	34,760	1,515	2,673	**33,602**	601	17,611	315
Central Okanagan	119,404	32,634	8,765	**143,273**	883	81,756	504
Columbia Shuswap	41,147	2,390	1,910	**41,627**	830	22,252	444
Comox-Strathcona	91,230	4,936	12,070	**84,096**	828	51,183	504
Cowichan Valley	27,608	257	1,952	**25,913**	337	14,074	183
East Kootenay	43,708	4,685	6,092	**42,301**	762	29,687	535
Fraser-Fort George	129,299	6,750	8,098	**127,951**	1,387	77,628	841
Fraser Valley	104,435	56,566	21,340	**139,661**	543	85,680	333
Greater Vancouver	863,939	109,395	91,114	**882,220**	417	569,509	269
Kitimat-Stikine	12,393	486	1,302	**11,577**	296	6,500	166
Kootenay Boundary	17,819	6,457	2,064	**22,212**	723	14,606	475
Mount Waddington	5,356	2,000	416	**6,940**	596	4,497	386
Nanaimo	62,630	27,826	5,962	**84,494**	609	53,296	384
North Okanagan	96,215	5,530	6,218	**95,527**	1,236	58,199	753
Northern Rockies	6,776	5,912	386	**12,302**	2,001	7,203	1,172
Okanagan-Similkameen	59,693	22,400	3,936	**78,157**	983	49,997	629
Peace River	56,010	42,074	4,806	**93,278**	1,601	59,554	1,022
Powell River	10,534	—	1,310	**9,224**	471	4,970	254
Skeena-Queen Charlotte	16,358	—	1,246	**15,112**	769	9,251	470
Squamish-Lillooet	29,227	7,998	2,162	**35,063**	995	20,025	568
Sunshine Coast	37,141	16,848	2,139	**51,850**	1,868	33,302	1,200
Thompson-Nicola	97,486	21,267	8,248	**110,505**	904	76,802	628
OTHER							
District of Campbell River	61	—	61	—	—	—	—
E-COMM	118,751	—	6,877	**111,874**	46	102,931	43
CREST	13,461	—	1,010	**12,451**	36	8,585	25
TransLink	1,002,078	527,000	110,168	**1,418,910**	670	900,102	425
	$ 3,464,840	942,918	348,949	**4,058,809**	987	$ 2,581,807	628

Note: The Authority collects principal repayments from clients under a sinking fund methodology. Clients make annual principal repayments on their obligations and the Authority invests those funds to retire the associated debenture at maturity. The difference between the Principal Outstanding of $4,058,809,000 and the Future Principal to be collected of $2,581,807,000 represents future sinking fund earnings by the Authority.

MUNICIPAL FINANCE AUTHORITY
TEN-YEAR REVIEW

		2007	2006	2005	2004
ASSETS					
Loans to clients	$	4,058,809	3,464,840	3,262,912	3,235,464
Short-term loans to clients		168,980	109,169	143,773	229,579
Investments, net of holdings of the Authority		1,327,491	1,294,111	1,051,810	1,122,924
Investments under management		–	60,567	108,310	154,210
Investments in sinking funds		–	–	–	–
Sinking fund assets in excess of related debt		–	–	–	–
Accrued interest and other receivables		114,553	109,771	91,317	101,266
Derivative financial instrument		7,103	12,040	–	–
Cash and cash equivalents		9,547	15,297	10,849	8,326
Capital assets		730	755	780	805
Total Assets	$	5,687,213	5,066,550	4,669,751	4,862,574
LIABILITIES, EQUITY AND NET ASSETS					
Long-term debt	$	4,889,753	4,437,336	3,981,350	3,881,914
Bank and short-term indebtedness		511,517	260,189	269,386	349,689
Due to clients		98,405	98,438	96,634	98,567
Due to clients – investments under management		–	60,567	108,310	154,210
Accounts payable and accrued interest payable		57,954	59,545	40,290	39,944
Due to Forest Renewal BC		–	–	–	–
Total Liabilities		5,557,629	4,916,075	4,495,970	4,524,324
Equity in capital assets		730	755	780	805
Other net assets		128,854	159,607	173,001	337,445
Total Liabilities, Equity and Net Assets	$	5,687,213	5,076,437	4,669,751	4,862,574
REVENUE					
Interest from loans to clients	$	284,738	271,051	258,067	253,649
Investment income		67,097	65,326	77,637	73,261
Management fees		1,488	1,306	1,169	742
Recoveries from new issues		429	429	429	429
Operating levy		197	161	140	119
Total Revenue		353,949	338,273	337,442	328,200
EXPENDITURE					
Interest on long-term debt		239,166	233,118	243,751	235,639
Interest on bank and short-term indebtedness		19,827	12,606	8,919	10,231
Amortization of issue costs and other		13,217	10,642	5,544	5,451
Administrative		2,825	1,913	2,178	2,998
Debt management and marketing		264	197	260	241
Allocation of investment income to clients		2,680	6,912	8,375	8,337
Total Expenditure		277,979	265,388	269,027	262,897
Excess of revenue over expenditure for the year		75,970	72,885	68,415	65,303
Net assets, beginning of the year		159,607	173,001	337,445	398,143
Effect of adoption of new accounting policies (Note 2)		15,174	–	–	–
Net Assets, beginning of the year – restated		174,781	173,001	337,445	398,143
Accrued allocation to clients		–	–	(22,876)	–
Surplus on debt issues from Province		–	–	–	–
Allocations to clients		(120,318)	(85,704)	(209,308)	(125,426)
Application of equity in capital assets		25	25	25	25
Unrealized losses from change in fair value of available for sale securities		(904)	–	–	–
Dividends paid		(700)	(600)	(600)	(600)
Net Assets, end of the year	$	128,854	159,607	173,001	337,445

2003	2002	2001	2000	1999	1998
3,190,709	2,935,516	2,832,474	2,714,849	2,702,045	1,988,013
125,867	135,509	103,348	71,950	55,676	35,013
1,060,343	1,140,930	1,139,714	1,059,689	990,838	652,219
174,715	–	–	–	–	–
–	3,265	10,265	10,265	27,802	51,231
–	15,601	26,780	25,727	24,587	23,582
90,371	78,811	79,075	94,248	74,143	44,714
–	–	–	–	–	–
8,770	8,309	7,157	7,235	14,450	12,540
830	854	879	904	929	954
4,651,605	4,318,795	4,199,692	3,984,867	3,890,470	2,808,266
3,715,271	3,545,228	3,350,170	3,192,159	3,093,784	2,190,286
213,426	195,907	263,505	147,432	129,663	71,461
104,395	116,199	80,782	89,709	94,924	80,316
174,715	–	–	–	–	–
44,825	44,324	53,374	63,560	67,494	41,752
–	–	–	10,082	10,118	10,142
4,252,632	3,901,658	3,747,831	3,502,942	3,395,983	2,393,957
830	854	879	904	929	486
398,143	416,283	450,982	481,021	493,558	413,823
4,651,605	4,318,795	4,199,692	3,984,867	3,890,470	2,808,266
258,180	255,427	252,663	260,670	245,618	188,690
70,504	75,631	89,121	69,317	61,383	56,596
673	929	702	525	675	720
429	429	429	429	434	255
108	103	101	100	101	101
329,894	332,519	343,016	331,041	308,211	246,362
243,145	233,717	236,510	247,367	256,376	187,713
7,869	6,485	8,617	8,858	5,584	3,208
5,365	4,875	5,180	7,832	5,593	5,037
2,933	2,423	1,639	1,515	1,417	1,361
239	182	219	267	372	186
4,193	5,890	5,410	3,404	3,119	7,644
263,744	253,572	257,575	269,243	272,461	205,149
66,150	78,947	85,441	61,798	35,750	41,213
416,283	450,982	481,021	493,558	413,823	418,334
–	–	–	–	–	–
416,283	450,982	481,021	493,558	413,823	418,334
–	–	–	–	–	–
–	–	–	–	63,814	–
(83,715)	(113,322)	(115,155)	(74,110)	(19,604)	(45,499)
25	26	25	25	25	25
–	–	–	–	–	–
(600)	(350)	(350)	(250)	(250)	(250)
398,143	416,283	450,982	481,021	493,558	413,823

MUNICIPAL FINANCE AUTHORITY
BOND ISSUES

Canadian Dollar Bonds Issued in Canada

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2007 $(000)	INTEREST
55CP	8.750% Debentures due May 12, 2013	May 12, 1993	50,000	50,000	Semi-annual May 12 November 12
63	4.00% Debentures due December 1, 2010	December 1, 2005	121,000	121,000	Semi-annual June 1 December 1
68CV	5.500% Debentures due March 24, 2008	March 24, 1998	336,000	336,000	Same as above
70CW	5.25% Debentures due June 1, 2009	March 24, 1999	646,000	646,000	Semi-annual June 1 December 1
74CX	5.90% Debentures due June 1, 2011	April 4, 2001	491,800	491,800	Semi-annual June 1 December 1
78CZ	5.25% Debentures due December 3, 2012	October 3, 2002	340,000	340,000	Semi-annual June 3 December 3
80CV	4.000 - 4.850% Serial Debentures due October 3, 2008 - 2012	October 3, 2003	130,700	84,100	Semi-annual April 3 October 3
80DA	4.900% Debentures due December 3, 2013	December 3, 2003	288,300	288,300	Semi-annual April 3 October 3
81DB	3.750 - 4.950% Serial Debentures due April 22, 2008 - 2013	April 22, 2004	40,000	25,300	Semi-annual April 22 October 22
85DC	4.900% Debentures due December 2, 2014	October 25, 2004	180,000	180,000	Semi-annual June 2 December 2
86DD	5.350% Debentures due December 2, 2024	October 25, 2004	50,000	50,000	Semi-annual June 2 December 2

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	2008 - 17,300 2009 - 16,700 2010 - 16,700 2011 - 16,700 2012 - 16,700	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	
Registered at CDS. Book entry only.	Non-callable	2008 - 4,900 2009 - 4,900 2010 - 4,250 2011 - 4,250 2012 - 3,500 Thereafter - 3,500	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company

MUNICIPAL FINANCE AUTHORITY
BOND ISSUES CONTINUED

Canadian Dollar Bonds Issued in Canada

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2007 $(000)	INTEREST
88	4.710% Debentures due October 1, 2009	October 1, 2004	200	200	Annual October 1
91	3.250% Debentures due March 16, 2010	March 16, 2003	220	220	Annual March 16
92DF	3.100 - 4.700% Serial Debentures due April 6, 2008 - 2015	April 6, 2005	63,400	55,200	Semi-annual April 6 October 6
93DG	4.978% Amortizing Debentures due April 6, 2025	April 6, 2005	118,300	109,054	Semi-annual April 6 October 6
95DH	4.150% Debentures due October 13, 2015	October 13, 2005	167,000	167,000	Semi-annual April 13 October 13
96DI	4.600% Debentures due April 2, 2026	October 13, 2005	50,000	50,000	Semi-annual April 2 October 2
97DL	4.650% Debentures due April 19, 2016	April 19, 2006	715,000	715,000	Semi-annual April 2 October 2
98	4.000% Debentures due May 15, 2011	May 15, 2006	175	175	Annual May 15
101DM	4.800% Debentures due December 1, 2017	October 10, 2007	500,000	500,000	Semi-annual June 1 December 1
102DN	4.950% Debentures due December 1, 2027	October 10, 2007	310,000	310,000	Semi-annual June 1 December 1

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $100 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	2008 - 4,100 2009 - 4,100 2010 - 4,100 2011 - 4,050 2012 - 4,050 Thereafter - 34,800	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $100 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company

CDS=Canadian Depository for Securities Limited

CIBC Mellon Trust Company
1600 - 1066 West Hastings Street
Vancouver, BC V6E 3X1

320 Bay Street
Toronto, ON M5H 4A6

Auditors' Report

TO THE UNITHOLDERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA POOLED INVESTMENT FUNDS

We have audited the statements of net assets of the Money Market Fund, the Intermediate Fund and the Bond Fund of the Municipal Finance Authority of British Columbia (the "Authority) as at December 31, 2007 and 2006, the statements of operations and unitholders' equity and changes in net assets of each of these Funds for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of these Funds of the Authority as at December 31, 2007 and 2006, and the results of their operations, cash flows and changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
January 25, 2008

POOLED INVESTMENTS
STATEMENTS OF NET ASSETS

DECEMBER 31, 2007 AND 2006

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
ASSETS								
Cash	$ **157**	25	**13**	38	**14**	14	**184**	77
Unitholder receivable	**5,031**	310	**–**	–	**–**	–	**5,031**	310
Receivable for investments sold	**–**	–	**–**	–	**–**	101	**–**	101
Investments (Schedules 1, 2 and 3)	**1,645,543**	1,105,220	**187,667**	202,908	**149,321**	161,198	**1,982,531**	1,469,326
	$ **1,650,731**	1,105,555	**187,680**	202,946	**149,335**	161,313	**1,987,746**	1,469,814
LIABILITIES								
Accrued management fees	$ **243**	143	**33**	34	**25**	28	**301**	205
Unitholder payable	**583**	321	**5,000**	–	**–**	102	**5,583**	423
	826	464	**5,033**	34	**25**	130	**5,884**	628
NET ASSETS AND UNITHOLDERS' EQUITY	$ **1,649,905**	1,105,091	**182,647**	202,912	**149,310**	161,183	**1,981,862**	1,469,186

See Accompanying Notes to Financial Statements

DIRECTOR OF FINANCE

POOLED INVESTMENTS
STATEMENTS OF OPERATIONS AND UNITHOLDERS' EQUITY

YEARS ENDING DECEMBER 31, 2007 AND 2006

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
INVESTMENT INCOME								
Interest income	$ **64,300**	45,264	**7,269**	8,784	**7,193**	10,732	**78,762**	64,780
Less management fees	**1,911**	1,669	**356**	347	**305**	371	**2,572**	2,387
	62,389	43,595	**6,913**	8,437	**6,888**	10,361	**76,190**	62,393
GAIN (LOSS) ON INVESTMENTS								
Net realized loss	**–**	–	**(1,123)**	(1,106)	**(2,927)**	(2,255)	**(4,050)**	(3,361)
Net unrealized gain (loss)	**–**	–	**1,297**	(579)	**583**	(1,407)	**1,880**	(1,986)
Net gain (loss) on investments	**–**	–	**174**	(1,685)	**(2,344)**	(3,662)	**(2,170)**	(5,347)
NET EARNINGS DISTRIBUTED	$ **62,389**	43,595	**7,087**	6,752	**4,544**	6,699	**74,020**	57,046
NET ASSETS AND UNITHOLDERS' EQUITY								
Units outstanding, beginning of the year	$ **1,105,091**	1,143,995	**202,912**	167,814	**161,183**	201,687	**1,469,186**	1,513,496
Prior period bid price adjustment to opening units (Note 2)	**–**	–	**(265)**	–	**(38)**	–	**(303)**	–
Re-stated units outstanding, beginning of the year	**1,105,091**	1,143,995	**202,647**	167,814	**161,145**	201,687	**1,468,883**	1,513,496
Units subscribed	**2,262,705**	1,363,898	**70,375**	99,497	**11,989**	10,944	**2,345,069**	1,474,339
Distributions reinvested	**62,389**	43,595	**7,087**	6,752	**4,544**	6,699	**74,020**	57,046
Units redeemed	**(1,780,280)**	(1,446,397)	**(97,462)**	(71,151)	**(28,368)**	(58,147)	**(1,906,110)**	(1,575,695)
Units outstanding, end of the year	$ **1,649,905**	1,105,091	**182,647**	202,912	**149,310**	161,183	**1,981,862**	1,469,186

See Accompanying Notes to Financial Statements

POOLED INVESTMENTS
STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDING DECEMBER 31, 2007 AND 2006

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Net assets, beginning of the year	**$ 1,105,091**	1,143,995	**202,912**	167,814	**161,183**	201,687	**1,469,186**	1,513,496
Prior period bid price adjustment to opening units	**–**	–	**(265)**	–	**(38)**	–	**(303)**	–
Re-stated units outstanding, beginning of the year	**$ 1,105,091**	1,143,995	**202,647**	167,814	**161,145**	201,687	**1,468,883**	1,513,496
Changes during the year due to:								
Operations:								
Net investment income	**62,389**	43,595	**6,913**	8,437	**6,888**	10,361	**76,190**	62,393
Net gain (loss) on investments	**–**	–	**174**	(1,685)	**(2,344)**	(3,662)	**(2,170)**	(5,347)
	62,389	43,595	**7,087**	6,752	**4,544**	6,699	**74,020**	57,046
Unit transactions:								
Subscriptions	**2,262,705**	1,363,898	**70,375**	99,497	**11,989**	10,944	**2,345,069**	1,474,339
Redemptions	**(1,780,280)**	(1,446,397)	**(97,462)**	(71,151)	**(28,368)**	(58,147)	**(1,906,110)**	(1,575,695)
	482,425	(82,499)	**(27,087)**	28,346	**(16,379)**	(47,203)	**438,959**	(101,356)
Distributions to unitholders:								
Investment income	**(62,389)**	(43,595)	**(6,914)**	(8,437)	**(6,888)**	(10,361)	**(76,191)**	(62,393)
(Gain) loss on investments	**–**	–	**(174)**	1,685	**2,344**	3,662	**2,170**	5,347
Distributions reinvested	**62,388**	43,595	**7,088**	6,752	**4,544**	6,699	**74,020**	57,046
Net assets, end of the year	**$ 1,649,905**	1,105,091	**182,647**	202,912	**149,310**	161,183	**1,981,862**	1,469,186
CHANGES IN INVESTMENT PORTFOLIO								
Investments at beginning of year	**$ 1,105,220**	1,145,315	**202,908**	167,801	**161,198**	201,448	**1,469,326**	1,514,564
Accretion of discounts	**56,398**	45,013	**8,249**	8,166	**7,707**	9,535	**72,354**	62,714
Investments purchased	**6,640,487**	6,333,484	**587,461**	776,988	**590,438**	1,168,722	**7,818,386**	8,279,194
Net realized loss on investments sold	**–**	–	**(1,123)**	(1,106)	**(2,927)**	(2,255)	**(4,050)**	(3,361)
	7,802,104	7,523,812	**797,495**	951,849	**756,416**	1,377,450	**9,356,015**	9,853,111
Proceeds on investments matured or sold	**(6,156,561)**	(6,418,592)	**(609,828)**	(748,941)	**(607,095)**	(1,216,252)	**(7,373,484)**	(8,383,785)
Investments at end of year	**$ 1,645,543**	1,105,220	**187,667**	202,908	**149,321**	161,198	**1,982,531**	1,469,326

See Accompanying Notes to Financial Statements

POOLED INVESTMENTS
NOTES TO FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2007 AND 2006

1. Significant accounting policies

BASIS OF PRESENTATION

The Pooled Investment Funds are established by and operate under Section 16 of the *Municipal Finance Authority Act* (the "Act"). Three funds are maintained:

a) Money Market Fund, which commenced operations on May 1, 1989;

b) Intermediate Fund, which commenced operations on March 25, 1994; and

c) Bond Fund, which commenced operations on May 10, 1989.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds pro rata with all other units from time to time issued and outstanding. Units are issued or redeemed at $1,000 per unit.

The financial statements have been prepared by management in accordance with the following significant accounting policies that are generally accepted in the investment industry

MONEY MARKET FUND

a) Investments are carried at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis, which approximates market value.

b) Interest income is recognized as earned.

c) Included in the units outstanding as at December 31, 2007, are flexible term unit holdings of $1,233,421 (2006 – $1,105,220) and fixed term unit holdings of $416,484 (2006 – NIL).

d) Management fees on flexible term unit holdings are accrued daily at the rate of 0.15 percent per annum of the net assets of the fund and management fees on fixed term unit holdings are negotiated in the range of 0.03 to 0.05 per annum of the net assets of the fund. These fees are paid monthly to the Operating Fund of the Authority.

e) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

INTERMEDIATE FUND/BOND FUND

a) Investments are carried at market values which are determined as follows:

- Bonds and debentures—at the quoted mid-market value
- Treasury bills, short-term notes, etc.—at amortized cost, which approximates market value for the Bond Fund and at mid-market value for the Intermediate Fund.

b) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average cost basis.

c) Interest income is recognized as earned.

d) Management fees are accrued weekly and at month-end at the rate of 0.20 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

e) Net earnings from operations are distributed to unitholders weekly and at month-end as additional units of the fund.

f) Accretion of discounts and premiums are amortized on an effective yield basis over the term of the investment.

2. Change in accounting policy

Effective January 1, 2007, the funds adopted the CICA handbook sections 3855 (Financial Instruments—Recognition and Measurement), 3861 (Financial Instruments—Disclosure and Presentation) and 3865 (Hedges). The funds have designated all investments as held for trading and carried them at fair value with realized and unrealized changes in fair value reflected in the statement of operations and unitholders' equity.

Under Section 3855, the funds are required to prepare financial statements by recording investments at fair value based on the last bid price. Previously, the funds recorded the fair value of the investments using the closing price.

This change is for financial reporting purposes only. The funds have continued to calculate and report net asset value (other than for financial reporting purposes) using closing price pending further consideration of the suitability of these financial reporting requirements for purposes other than financial statements.

The reconciliation of the funds' investment balance from closing price to bid price is presented below:

	CLOSING PRICE	SECTION 3855 ADJUSTMENT	BID PRICE
Opening net asset value, January 1, 2007	1,469,185,554	(302,296)	1,468,883,258
Closing net asset value, December 31, 2007	1,982,815,279	(952,836)	1,981,862,443

The provisions of Section 3855 have been applied retroactively without restatement of prior periods as required by the transition provisions. Accordingly, a decrease in opening net assets of $302,296 has been recorded as an adjustment to net assets at January 1, 2007.

All unitholder receivables, receivables for investments sold, accrued management fees, and unitholder payables have been classified as loans and receivables or other liabilities and are recorded at amortized cost using the effective yield basis method.

Transaction costs continue to be expensed and included in the statement of operations and unitholders' equity in the period incurred.

(SCHEDULE 1)
POOLED INVESTMENTS
MONEY MARKET FUND—SCHEDULE OF INVESTMENTS

DECEMBER 31, 2007

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
Short-term Investments					
Treasury Bills					
	Government of Canada	January 10, 2008	36,450,000	36,408,466	
	Government of Canada	May 1, 2008	71,000,000	70,026,901	
	Government of Canada	May 29, 2008	92,050,000	90,573,416	
			199,500,000	197,008,783	11.97%
Term Deposits					
	Coast Capital Credit Union	January 2, 2008	20,000,000	20,264,658	
	Coast Capital Credit Union	January 11, 2008	30,000,000	30,134,137	
	Coast Capital Credit Union	January 22, 2008	25,000,000	25,044,075	
	Coast Capital Credit Union	January 22, 2008	11,113,820	11,183,675	
	Coast Capital Credit Union	January 22, 2008	6,068,480	6,112,189	
	Coast Capital Credit Union	February 15, 2008	10,000,000	10,132,329	
	Coast Capital Credit Union	March 3, 2008	30,000,000	30,122,753	
	Coast Capital Credit Union	March 3, 2008	6,127,600	6,157,661	
	Coast Capital Credit Union	March 17, 2008	10,000,000	10,020,753	
	VanCity Credit Union	January 2, 2008	10,000,000	10,092,699	
	VanCity Credit Union	January 4, 2008	5,023,150	5,043,305	
	VanCity Credit Union	January 11, 2008	30,000,000	30,134,137	
	VanCity Credit Union	January 15, 2008	20,000,000	20,167,792	
	VanCity Credit Union	February 15, 2008	7,085,200	7,112,920	
	VanCity Credit Union	March 3, 2008	8,157,680	8,189,908	
	VanCity Credit Union	March 28, 2008	10,000,000	10,005,644	
			245,575,930	246,919,635	15.01%
Total Treasury Bills and Term Deposits			445,075,930	443,928,418	26.98%
Bankers Acceptance					
	Canadian Imperial Bank of Commerce	February 5, 2008	10,775,000	10,727,002	
	Canadian Imperial Bank of Commerce	February 14, 2008	49,175,000	48,897,320	
			59,950,000	59,624,322	3.62%
Discount Commercial Paper					
	Bank Nova Scotia BDN	March 5, 2008	45,000,000	44,616,720	
	Bank Nova Scotia BDN	March 6, 2008	2,625,000	2,603,274	
	Bank Nova Scotia BDN	January 11, 2008	51,000,000	50,934,671	
	Bank of Montreal BDN	March 19, 2008	30,000,000	29,690,271	
	Bay Street Funding Trust	March 10, 2008	6,050,000	5,990,195	
	Bay Street Funding Trust	March 13, 2008	5,500,000	5,443,936	
	Bay Street Funding Trust	March 14, 2008	13,625,000	13,477,600	
	Bay Street Funding Trust	March 18, 2008	24,150,000	23,874,409	
	Bons Du Tresor-Province of Quebec	February 15, 2008	15,000,000	14,918,592	
	Business Dev Bank	May 5, 2008	10,000,000	9,856,111	
	Citigroup Financial Canada	January 29, 2008	14,250,000	14,198,320	
	Citigroup Financial Canada	February 6, 2008	13,200,000	13,138,485	
	Citigroup Financial Canada	February 8, 2008	23,300,000	23,184,898	
	Citi Group Fdg Cda Disc	February 12, 2008	8,500,000	8,453,392	

Discount Commercial Paper

Credit Union BC	February 26, 2008	29,675,000	29,456,775
Darwin Receivable Trust	March 27, 2008	10,430,000	10,303,092
Diversified Trust	February 19, 2008	12,000,000	11,915,763
Diversified Trust	March 11, 2008	19,000,000	18,809,460
Enbridge Inc	January 10, 2008	4,400,000	4,394,659
Enbridge Inc	January 17, 2008	15,000,000	14,967,861
Enbridge Inc	March 11, 2008	5,750,000	5,695,552
Encana Corp	January 25, 2008	9,750,000	9,718,828
Encana Corp	March 10, 2008	3,000,000	2,972,377
Farm Credit Corp Disc	January 31, 2008	5,600,000	5,581,269
GE Capital Canada	January 25, 2008	42,550,000	42,417,244
Honda Canada Finance	January 17, 2008	8,000,000	7,982,929
HSBC Americas Inc	April 1, 2008	20,000,000	19,747,300
HSBC Americas Inc	April 4, 2008	13,600,000	13,422,774
HSBC Americas Inc	April 8, 2008	16,375,000	16,163,351
HSBC Americas Inc	April 16, 2008	7,500,000	7,391,659
Inter Pipe Inc	January 7, 2008	8,850,000	8,842,633
Inter Pipe Inc	January 29, 2008	2,000,000	1,992,319
Inter Pipe Inc	March 14, 2008	5,100,000	5,050,120
King Street Trust	March 13, 2008	9,500,000	9,398,970
King Street Trust	March 14, 2008	18,000,000	17,806,619
King Street Trust	March 18, 2008	5,000,000	4,942,927
King Street Trust	April 8, 2008	28,900,000	28,493,377
Macro Trust	February 7, 2008	6,500,000	6,465,859
Macro Trust	March 3, 2008	29,900,000	29,629,540
Macro Trust	May 28, 2008	25,000,000	24,486,089
Merrill Lynch Canada	January 7, 2008	28,500,000	28,476,397
Merrill Lynch Canada	June 5, 2008	31,700,000	31,052,017
Plaza Trust	January 11, 2008	31,000,000	30,955,714
Plaza Trust	March 13, 2008	39,525,000	39,107,616
Plaza Trust	March 14, 2008	10,000,000	9,892,933
Plaza Trust	May 21, 2008	12,500,000	12,255,198
Prov of Ontario	March 4, 2008	64,200,000	63,743,352
Pure Trust	January 4, 2008	5,000,000	4,997,632
Pure Trust	March 3, 2008	12,000,000	11,890,922
Pure Trust	February 15, 2008	8,000,000	7,947,176
Pure Trust	January 11, 2008	31,000,000	30,955,714
Pure Trust	January 31, 2008	4,200,000	4,182,271
Pure Trust	March 14, 2008	22,700,000	22,456,957
Safe Trust	January 25, 2008	4,000,000	3,986,370
Safe Trust	February 5, 2008	5,000,000	4,975,157
Safe Trust	March 25, 2008	6,150,000	6,074,640
Safe Trust	March 14, 2008	2,200,000	2,176,563
Safe Trust	March 27, 2008	22,000,000	21,732,313
Safe Trust	April 23, 2008	10,000,000	9,840,124

(SCHEDULE 1)
POOLED INVESTMENTS
MONEY MARKET FUND—SCHEDULE OF INVESTMENTS CONTINUED

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET VALUE		% OF TOTAL
Discount Commercial Paper continued						
	Smart Trust	February 7, 2008	5,000,000	4,973,738		
	Smart Trust	March 6, 2008	37,900,000	37,554,612		
	Smart Trust	April 23, 2008	16,200,000	15,941,000		
	Storm King Funding Trust	January 22, 2008	22,000,000	21,932,990		
	Storm King Funding Trust	March 3, 2008	10,000,000	9,910,745		
	Storm King Funding Trust	January 29, 2008	1,450,000	1,444,233		
	Storm King Funding Trust	March 13, 2008	5,000,000	4,947,200		
	Storm King Funding Trust	April 9, 2008	8,500,000	8,378,768		
	Storm King Funding Trust	May 13, 2008	4,400,000	4,338,641		
	Storm King Funding Trust	May 21, 2008	5,000,000	4,902,079		
	Terasen Gas Inc	January 3, 2008	3,600,000	3,599,007		
	Terasen Gas Inc	January 28, 2008	7,475,000	7,448,230		
	VanCity Credit Union BDN	January 8, 2008	7,500,000	7,492,760		
	VanCity Credit Union BDN	January 22, 2008	6,600,000	6,581,612		
	VanCity Credit Union BDN	February 6, 2008	2,150,000	2,139,836		
	VanCity Credit Union BDN	March 19, 2008	15,175,000	15,017,970		
			1,131,205,000	1,121,714,718	68.17%	
Total Bankers' Acceptance and Discount Commercial Paper			1,191,155,000	1,181,339,041		71.79%
Corporate Bonds						
	Canada Housing Trust No 1	March 15, 2008	20,000,000	20,275,383		
			20,000,000	20,275,383		1.23%
TOTAL INVESTMENTS PORTFOLIO			1,656,230,930	1,645,542,842		100.00%

(SCHEDULE 2)
POOLED INVESTMENTS-
INTERMEDIATE FUND—SCHEDULE OF INVESTMENTS

DECEMBER 31, 2007

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL	
Short-term Investments						
Discount Commercial Paper						
	Bay Street Funding Trust	March 14, 2008	8,550,000	8,318,124		
	Bay Street Funding Trust	March 18, 2008	350,000	340,540		
	King St Trust	March 13, 2008	5,000,000	4,864,850		
	King St Trust	March 14, 2008	3,500,000	3,405,080		
	Macro Trust	February 4, 2008	8,000,000	7,891,040		
	Plaza Trust	March 13, 2008	4,750,000	4,622,510		
	Plaza Trust	March 14, 2008	4,000,000	3,892,640		
	Pure Trust	March 14, 2008	8,500,000	8,271,860		
	Safe Trust	February 4, 2008	8,000,000	7,891,040		
	Smart Trust	February 4, 2008	5,675,000	5,597,707		
	Storm King Funding Trust	March 14, 2008	8,500,000	8,271,860		
	Summit Trust	January 17, 2008	425,000	417,295		
Total Short-term Investments			65,250,000	63,784,545		33.99%
Canadian Bonds						
Federal Bonds						
	Government of Canada	June 1, 2008	6,000,000	6,013,224		
	Government of Canada	September 1, 2008	20,550,000	20,883,784		
			26,550,000	26,897,008	14.33%	
Corporate Bonds						
	American Exp Canada Credit	January 27, 2009	7,000,000	7,069,265		
	Canada Housing Trust No 1	March 15, 2009	52,800,000	53,084,070		
	Canadian Credit Card Trust	January 24, 2008	4,000,000	4,083,096		
	Citigroup Finance Cdn Inc	August 5, 2008	7,000,000	7,091,472		
	Loblaw Companies Ltd	June 2, 2008	1,400,000	1,411,745		
	Merrill Lynch Cdn Finance	September 12, 2008	7,000,000	7,063,365		
	Royal Bank Canada	January 27, 2014	8,500,000	8,565,924		
	Toronto-Dominion Bank	September 5, 2013	8,500,000	8,616,850		
			96,200,000	96,985,787	51.68%	
Total Canadian Bonds			122,750,000	123,882,795		66.01%
TOTAL INVESTMENTS PORTFOLIO			188,000,000	187,667,340		100.00%

(SCHEDULE 3)
POOLED INVESTMENTS
BOND FUND—SCHEDULE OF INVESTMENTS

DECEMBER 31, 2007

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
Short-term Investments					
Treasury Bills					
	Government of Canada	February 7, 2008	100,000	99,618	
	Government of Canada	March 6, 2008	175,000	173,825	
Total Short-term Investments			275,000	273,443	0.18%
Canadian Bonds					
Corporate Bonds					
	African Development Bank	July 24, 2012	2,125,000	2,210,578	
	Alberta Treasury B/D	January 21, 2008	50,000	49,893	
	Altalink Investment Lp	November 21, 2012	475,000	471,934	
	American Express Canada Credit	November 12, 2010	1,250,000	1,229,481	
	Bank of Montreal	March 31, 2009	2,000,000	2,020,875	
	Bank of Montreal	September 4, 2012	1,750,000	1,770,748	
	Bank of Montreal	June 21, 2017	3,285,000	3,279,071	
	Bank of Nova Scotia	June 8, 2010	1,250,000	1,257,837	
	Bank of Nova Scotia	September 13, 2010	2,750,000	2,804,732	
	Bear Stearns Companies Inc	November 12, 2009	1,450,000	1,407,738	
	Bear Stearns Companies Inc	July 20, 2012	1,635,000	1,520,078	
	Bear Stearns Companies Inc	January 12, 2011	2,425,000	2,323,904	
	Bell Aliant Regional Communications	September 26, 2011	400,000	389,501	
	Bell Canada	August 12, 2010	800,000	876,588	
	Brascan Power Corp	December 16, 2009	1,210,000	1,206,003	
	Calloway Real Estate Investment Trust	September 22, 2010	1,375,000	1,354,112	
	Canada Housing Trust No 1	September 15, 2009	10,625,000	10,875,133	
	Canada Housing Trust No 1	March 15, 2010	38,325,000	38,503,590	
	Canadian Imperial Bank of Commerce	September 2, 2010	725,000	733,226	
	Canadian Imperial Bank of Commerce	September 10, 2012	3,850,000	3,857,733	
	Canadian Imperial Bank of Commerce	November 1, 2011	2,645,000	2,580,491	
	Capital Desjardins Inc	March 17, 2014	425,000	424,821	
	Citigroup Finance Canada Inc	October 25, 2010	510,000	511,410	
	Credit Union Central of BC	December 21, 2016	500,000	194,842	
	Ford Floorplan Auto	November 15, 2008	425,000	425,972	
	GE Capital Canada Funding Co	August 17, 2012	405,000	418,009	
	Golden Credit Card Trust	February 15, 2011	1,325,000	1,315,872	
	Goldman Sachs Group Inc	June 1, 2011	1,750,000	1,730,520	
	Household Financial Corp Ltd	July 2, 2008	2,275,000	2,320,141	
	HSBC Bank Canada	October 12, 2010	500,000	508,259	
	HSBC Financial Corp Ltd	May 3, 2012	500,000	483,254	
	JP Morgan Chase & Co	September 8, 2015	900,000	881,448	
	Key Nova Scotia Funding Co	December 11, 2009	565,000	560,028	
	Macro Trust	January 15, 2008	50,000	19,899	
	Manitoba Telecom Services Inc	June 2, 2008	1,000,000	1,008,162	
	Merrill Lynch & Co Inc	January 30, 2012	3,150,000	3,023,176	
	Merrill Lynch Mortgage Loans	November 15, 2008	347,375	350,169	

	Morgan Stanley	February 23, 2012	2,720,000	2,616,462	
	Morgan Stanley	February 23, 2012	950,000	921,060	
	N-46 A-B Notes Issuer Inc	July 15, 2011	1,904,149	1,843,661	
	Pure Trust	January 11, 2008	175,000	174,663	
	RBC Subordinated Notes Trust	April 30, 2017	1,750,000	1,728,027	
	Residential Funding of Canada	May 12, 2008	450,000	395,941	
	Riocan Real Estate Investment	March 24, 2010	1,150,000	1,155,540	
	Royal Bank of Canada	August 15, 2012	5,350,000	5,501,521	
	Safe Trust 9651	January 17, 2008	9,000,000	8,979,388	
	Schlumberger Canada Ltd	July 12, 2010	725,000	743,432	
	Scotiabank Subordinated Notes Trust	November 1, 2017	3,050,000	3,096,466	
	Storm King Funding Trust	January 11, 2008	3,700,000	3,694,810	
	Storm King Funding Trust	January 30, 2008	550,000	547,719	
	TD Capital Trust	December 31, 2009	3,600,000	3,765,237	
	Telus Corporation	March 15, 2012	185,000	182,596	
	Terasen Pipelines Corridor Inc	February 2, 2010	1,050,000	1,055,661	
	Toronto Dominion Bank	November 1, 2017	3,200,000	3,264,203	
	Wells Fargo Financial Canada Corp	September 13, 2012	2,125,000	2,165,514	
	Weston (George) Ltd	February 5, 2009	600,000	619,814	
	YPG Holdings Inc	April 21, 2009	1,400,000	1,403,237	
Total Canadian Bonds			138,561,524	138,934,170	93.05%
Mortgages					
CMHC Insured Mortgages					
	Penmor Loan #1924-2W	November 1, 2009	564,563	567,193	
	Penmor Loan #1995-1J	November 15, 2008	474,062	475,403	
NHA Insured Mortgages	Penmor Loan #2341-1W	November 1, 2011	550,054	552,398	
	Penmor Loan #2516-0W	May 1, 2008	415,928	419,048	
	Penmor Loan #2544-0W	September 1, 2008	817,952	822,898	
	Penmor Loan #2563-0F	December 1, 2008	379,524	382,653	
	Penmor Loan #2699-0W	August 15, 2009	1,482,899	1,497,830	
	Penmor Loan #2787-0F	February 1, 2010	936,083	942,220	
	Penmor Loan #2793-0F	March 1, 2010	731,962	735,977	
	Penmor Loan #2331-1W	December 1, 2010	1,245,251	1,265,301	
	Penmor Loan #3213-0W	March 1, 2012	549,738	553,638	
	Penmor Loan #2372-1W	March 1, 2012	540,262	542,826	
	Penmor Loan #3133-0M	June 1, 2012	956,985	963,728	
	Penmor Loan #2355-1K	January 1, 2014	242,771	241,645	
	Penmor Loan #3429-0W	January 1, 2015	149,857	151,090	
			10,037,891	10,113,848	6.77%
TOTAL INVESTMENTS PORTFOLIO			148,874,415	149,321,461	100.00%

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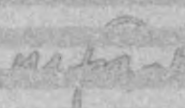

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